INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FORESIGHT GROUP HOLDINGS LIMITED

Opinion on the financial statements

In our opinion:

- the group financial statements give a true and fair view of the state of the Group's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the Group financial statements have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements of Foresight Group Holdings Limited (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 March 2022 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

Independence

Following the recommendation of the Audit and Risk Committee, we were appointed by the Board on 14 April 2021 to audit the financial statements for the year ending 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ending 31 March 2021 to 31 March 2022. We remain independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or parent company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Obtaining Directors' cash flow forecasts for the Group for a period of at least 12 months from the date of approval of the financial statements that support the Directors' assessment and conclusion with respect to the going concern basis of preparation of the financial statements and performing the following:
  - Assessing the reasonableness of Directors' assumptions with respect to revenue growth and fundraising against historical performance and planned future fundraising activities;
  - Evaluating the reasonableness of Directors' downside scenario and the assumptions used, considering the impact on the expected receipt of cash from revenue streams and future expenditure as well as the likelihood of this scenario occurring;
  - Performing a highly stressed scenario where revenues are not forecast to increase from current levels but expenditure continues to rise in line with planned forecast to assess the available headroom; and
  - Assessing the overall group liquidity and sufficiency of the cash reserves to cover current liabilities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the parent company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview			
Coverage	99% (2021: 94%) of Group profit before tax 94% (2021: 98%) of Group revenue 90% (2021: 96%) of Group total assets		
Key audit matters		**2022**	2021
	Revenue recognition	✓	✓
	Acquisition of PiP Manager Limited	✗	✓
	IFRS Conversion	✗	✓
	The acquisition of PIP Manager and the IFRS conversion are no longer considered to be key audit matters due to the fact that PIP Manager was a prior year transaction and the IFRS conversion was a one-off event.		
Materiality	**Group financial statements as a whole** £1,400,000 (2021: £880,000) based on 5% (2021: 5%) of Group Profit before Tax		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group consists of the parent company and a number of subsidiary undertakings. The Group audit engagement team carried out full scope audits for the parent company and four of the six significant components of the Group. The remaining two significant components were audited by BDO member firms based in Luxembourg and Guernsey. For non-significant components, the Group engagement team performed specific procedures over significant balances and classes of transactions, as well as analytical procedures, based on their individual financial significance to the Group with reference to their profit before tax, revenue and total assets.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- Discussing with the component auditors the timing of their involvement and timeline for reporting;
- Discussing with the component auditors the risks identified at Group level and the risks that are relevant to the component entity;
- Sending detailed instructions, including the materiality thresholds to be applied in the testing of the component entity;
- Obtaining and assessing the results of their audit work performed; and
- Performing a review of their relevant working papers in order to ensure that appropriate audit evidence has been obtained.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue recognition Note 4 Revenue is a key driver in demonstrating performance, therefore there is an incentive to overstate revenue. There is a risk that revenue may be misstated as a result of complex calculations, judgement in the Net Asset Values ("NAVs") of underlying funds, use of inappropriate accounting policies, or from an inappropriate use of judgments in calculating revenue. In terms of performance fees, there is also judgement around whether the performance conditions have been met and complex calculations that could give rise to management override.	**We performed the following procedures:** • We reviewed the Group's accounting policies and assessed whether it is in line with the requirements of the standards; and • We assessed the relevant management or service agreements and supporting fee calculations and ensured that managements calculations were in-line with the supporting agreements. **Management fees and Secretarial fees (84% of Group Revenue, including ITS and ATS fees discussed below):** • For a sample of management fee and secretarial fee arrangements, we obtained the relevant agreements and corroborated the fee rates used in the calculation and the calculation bases used for fee calculations to the relevant agreements. We recalculated the fees receivable for the year based on the relevant fee structure in accordance with the relevant agreement and the underlying fund commitments or net asset values ("NAVs") as applicable; • We vouched fund commitments and fund NAVs to underlying workings, agreed the NAVs used to RNS announcements on the LSE website where applicable (or investor reports) and commitments to relevant agreement/ investor documentation; • We reviewed the ISAE 3402 controls report which covers the controls over the production of NAVs which drives the majority of management fee and secretarial fee calculations to identify any issues which could affect the determination of the NAVs; • For fund NAVs (see 'NAV Testing' below), we vouched the NAV to audited accounts of the respective fund and reviewed the reasons for movements since the most recent audited accounts; and • The performance obligations are deemed to be correctly recognised over time for both management and secretarial fees in accordance with IFRS 15. This is also aligned with the accounting policy disclosed in the financial statements. **Inheritance Tax Solutions (ITS and AITS):** • We obtained calculations for ITS and AITS management fees and reviewed these for arithmetic accuracy; • We reviewed the prospectuses for these products and confirmed that the calculation of the ITS and AITS management fees were aligned to the terms of these documents; • We verified key inputs to the calculation on a sample basis, such as amounts invested and withdrawals, by agreeing to investor applications, withdrawal statements, encashment forms and other relevant supporting documentation; and • The performance obligation under IFRS 15 is deemed to be correctly recognised over time. This is also aligned with the accounting policy disclosed in the financial statements.

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue recognition continued Note 4	**Arrangement/advisory and marketing fees (9% of Group Revenue):** • For a sample of arrangement/advisory and marketing fees, we obtained the relevant sale purchase agreements, investment agreements or evidence of new investor commitments as appropriate and recalculated the fees in accordance with the terms of the contract; and • The performance obligation under IFRS 15 is the securing of funding and subsequent signing of the contracts. This is correctly deemed to be recognised at a point in time. **Directors' fees (3% of Group revenue):** • For a sample of Directors' fees which are fixed fees with annual Retail Price Index ("RPI") adjustments, we obtained agreements in order to support the existence of the fees; • We recalculated the annual RPI uplifts for accuracy and checked that it was time-apportioned correctly; • We agreed the Directors' existence to relevant payroll listing or Companies House. This fee is correctly deemed to be recognised over time and therefore aligned with the accounting policy disclosed in the financial statements; and • The performance obligation under IFRS 15 for Directors' fees is satisfied as the Directors perform their duties. **Performance Fees (4% of Group revenue):** • We have inspected the agreement to verify initial existence of the fee and summarised the background/basis of the fee; • We obtained supporting documentation to gain comfort over the existence and entitlement to this fee based on the crystallisation of gains; • We recalculated the fee based on the agreement to ensure accuracy; • We agreed the fee receipt to bank statements; and • The performance obligation under IFRS 15 is the expiry or sale of the fund. This is correctly deemed to be recognised at a point in time. **NAV Testing:** For a sample of NAVs used as the basis of the calculation of fee income: • We obtained a detailed understanding of the underlying asset valuation process; • For one quarter we requested all supporting process documentation and for the other quarters obtained the final valuation workbook and inspected the approval of valuations by the Valuations Committee; • We assessed the movements in the NAV values over the measurement period (quarterly) and documented the reasonableness of the movement; • We agreed the NAV to supporting documentation (e.g. RNS announcements) to confirm the accuracy of the NAV used in the fee calculation; and • Due to the fact that NAVs are a significant input into the fee calculation, the above procedures have been performed to provide further audit evidence around the accuracy of the fee revenue. **Key observations:** • Based on our procedures performed, we found the recognition of revenue to be appropriate and no evidence of management override in the calculations of the underlying fund values and subsequent revenue fee calculations.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	
	2022 £	2021 £
Materiality	**1,400,000**	880,000
Basis for determining materiality	**5% of Group Profit Before Tax**	5% of Group Profit Before Tax adjusted for share issue costs
Rationale for the benchmark applied	**This was determined as the most appropriate benchmark given that profit before tax is an important measure for users of the financial statements in assessing the performance of the Group.**	This was determined as the most appropriate benchmark given that profit before tax is an important measure for users of the financial statements in assessing the performance of the Group. The calculation of materiality was adjusted for the distortive effect of IPO costs.
Performance materiality	**980,000**	570,000
Basis for determining performance materiality	**70% of materiality on the basis of our risk assessment, together with our assessment of the Group's overall control environment.**	65% of materiality on the basis of our risk assessment, together with our assessment of the Group's overall control environment.

Component materiality

We set materiality for each component of the Group based on the lower of their individual statutory materiality threshold and component materiality, which was determined in reference to a percentage of group materiality based on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £66,000 (2021: £13,000) to £1,296,000 (2021: £836,000). In the audit of each component, we further applied performance materiality levels of 70% (2021: 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £70,000 (2021: £44,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 106; and • The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 106.
Other Code provisions	• The Directors' statement on fair, balanced and understandable set out on page 141; • The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 96 to 105; • The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 96 to 105; and • The section describing the work of the Audit & Risk Committee set out on pages 122 to 125.

Other Companies (Guernsey) Law, 2008 reporting

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- Proper accounting records have not been kept by the parent company; or
- The Parent Company financial statements are not in agreement with the accounting records; or
- We have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of Directors

As explained more fully in the Responsibility statement of the Directors in respect of the Annual Report and Financial Statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Company and its subsidiaries which were contrary to applicable laws and regulations, including fraud;
- We considered the significant laws and regulations to be the Companies (Guernsey) Law, 2008, the FCA rules, the principles of the UK Corporate Governance Code and IFRS as adopted by the European Union;
- We considered compliance with these laws and regulations through discussions held with management, Directors and the Audit & Risk Committee and reviewed correspondence with regulators and reviewed minutes of Board meetings to assess how the Group is complying with these laws and regulations;
- We issued group audit instructions to component auditors to report any instances of fraud as part of their audit and reviewed their relevant working papers in this regard;
- We assessed the susceptibility of the financial statements to material misstatement including fraud and considered the significant fraud risk areas to be revenue recognition which involves management judgement, and is therefore subject to bias and management override of controls. Our procedures included those set out in the Key audit matters section above, and in respect of management override, we have tested a risk-based sample of journals back to supporting documentation; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith

For and on behalf of BDO LLP, Chartered Accountants and Recognised Auditor
London, UK

11 July 2022

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